**Accounting 30: Analyzing an Annual Report Project**

The Annual Report Project (ARP) provides you the opportunity to analyze a corporate annual report. You will obtain the annual report of a publicly traded Canadian company and answer questions regarding the application of concepts studied in the Accounting 30 course.

The Annual Report Project consists of five sections:

1- Obtaining the Annual Report

2- Company Information

3- Overview of the Annual Report

4- The Balance Sheet

5- The Income Statement

**SECTION 1 - OBTAINING THE ANNUAL REPORT**

Obtain the most recent annual report of one Canadian corporation that is traded on the national stock exchange (TSX).

Do not select a public utility, financial institution or brokerage firm, insurance company, co-operative or government entity.

A useful resource is <https://www.theglobeandmail.com/report-on-business/rob-magazine/top-1000/2012-rankings-of-canadas-top-1000-public-companies-by-profit/article4371923/> . This article lists the top 1000 public companies in Canada in 2012.

1. Choosing a company

Choose companies in which you are interested. Perhaps the company has been featured in the news lately. Perhaps you would like to own stock in the company or you frequently use this company’s products or services.

2. Find the Annual Reports (use [www.sedar.com](http://www.sedar.com) to search for your company’s annual report or find it posted on the company website). Answer the following questions.

* Name of company chosen: (ie Leons Furniture)
* Main business activity: (ie retailer of furniture)
* Company stock exchange symbol: (ie LNF)
* Year end date on report: (ie December 31, 2017)
* Why did you select this particular company?

**SECTION 2 – COMPANY INFORMATION**

• When a question asks you to explain, describe, analyze, etc., use complete sentences and well-organized paragraphs.

1. Name of company chosen: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. Information about the company:

* What is the industry classification for the company?
* Describe the nature of the company’s business.
* List the company’s primary products or services (use brand names where available).
* What is the address of the company’s corporate headquarters?
* What is the company’s Web site?
* List other countries in which the company operates:
* What were the company’s revenues for the most recent fiscal year?
* Who is the chairman of the company’s board of directors?
* Who is the company’s CEO?

3. Provide the following market data:

* On what stock exchange is the company’s stock traded?
* What is the ticker symbol for the company?
* What was the price of the company’s stock at the end of one day during this past week?

Price: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

* What were the lowest and highest stock prices during the past year?

52-week low: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 52-week high: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. Obtain a copy of an article about the company.

* Name of article: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Link to article: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Summarize the article. Use complete sentences and well-organized paragraphs.

**SECTION 3 - OVERVIEW OF ANNUAL REPORT**

*1. REVIEW THE ANNUAL REPORT.* IT WILL CONTAIN SEVERAL SECTIONS:

a. FINANCIAL HIGHLIGHTS. This section provides a summary of selected financial results over a number of years. You may find two schedules providing highlights: one brief summary near the front of the annual report and a more detailed summary in the financial section.

This second schedule may be called Five-Year Summary of Selected Financial Data.

Note its page number here. Page(s)\_\_\_\_\_\_

b. THE CHAIRMAN’S LETTER. This letter provides the chairman’s overview of the past

year and developments which will affect the next year. Page(s)\_\_\_\_\_\_

c. THE COMPANY, ITS PRODUCTS, ITS EMPLOYEES. This section may contain a

number of color photographs and will highlight the products and accomplishments of the

company. Pages\_\_\_\_\_\_\_

d. MANAGEMENT DISCUSSION AND ANALYSIS. This section discusses operating results,

industries in which the company operates, financing and investing activities, significant

events, trends and developments. Page\_\_\_\_\_\_\_\_

e. THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

This section contains the balance sheet(also called statement of financial position), income statement, statement of cash flows and statement of stockholders’ equity. The accompanying notes, as indicated at the bottom of each of the above statements, are an integral part of the financial statements. The financial statements cannot be understood without reference to notes.

The financial statements and accompanying notes will be the focus of your Annual Report Project.

Balance Sheet                                                                                 Page\_\_\_\_\_\_

Income Statement                                                                            Page\_\_\_\_\_\_

Statement of Cash Flows                                                                 Page\_\_\_\_\_\_

Statement of Stockholders’ Equity                                                   Page\_\_\_\_\_\_

Notes to the financial statements:

Summary of significant accounting policies              Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

Inventories                                                                  Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

Plant assets                                                                Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

Long-term debt                                                           Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

Income taxes                                                              Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

Employee benefit plans                                              Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

Commitments and contingencies                               Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

Other notes:

Title of note                                                   Note #\_\_\_\_\_ Page\_\_\_\_\_\_\_

f. MANAGEMENT REPORT ON INTERNAL CONTROL    Page\_\_\_\_\_\_\_

g. THE INDEPENDENT AUDITOR’S REPORT:

REPORT ON INTERNAL CONTROL                          Page\_\_\_\_\_\_\_

REPORT ON THE FINANCIAL STATEMENTS        Page\_\_\_\_\_\_\_

h. Other:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_                        Page\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_                        Page\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_                        Page\_\_\_\_\_\_\_

*2. REVIEW THE CHAIRMAN’S LETTER TO THE SHAREHOLDERS.*

Summarize the major points made in the letter.

Page(s) on which letter appears: \_\_\_\_\_

Locate the management report(s) and the independent auditor’s report(s).

Answer the following questions.                                                           Page(s)\_\_\_\_\_\_\_

a) Who is responsible for the preparation and integrity of the financial statements?

b) Does the company maintain a system of internal controls? Why?

c) Does the company have an audit committee? \_\_\_\_\_\_ What is its purpose?

d) What is the name of the independent public accountant (auditor)?

(Note: There are two independent auditor’s reports: (1) a report on internal control, and (2) a report

on the financial statements. The following questions relate to the financial statement audit.)

e) According to the auditor’s report on the financial statements, what is the auditor’s responsibility?

f) According to the audit report, what is an audit?

g) Summarize the auditor’s opinion.

**SECTION 4 - THE BALANCE SHEET**

*THE BASICS*

Locate the company’s balance sheet. Balance sheet date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Page on which balance sheet appears:\_\_\_\_\_\_\_\_\_

1. The accounting equation is Assets = Liabilities + Stockholders’ Equity. Replacing the words in the accounting equation with dollar amounts, give the company’s accounting equation at the end of the current and prior years.

Assets = Liabilities + Equity

This year \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Last year \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. Calculate the company’s current ratio for both this year and the prior year.

Show your computations.

This year:

Last year: = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ =

Explain what information this ratio provides. (Hint: See the Financial Statement Analysis

chapter of your textbook.)

Has the current ratio improved or worsened? Explain.

Calculate the company’s debt to total assets ratio (also called total debt to equity) for both this year and the prior year. Show your computations.

This year:

Last year: = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ =

Explain what information this ratio provides. Use complete sentences.

Has the ratio improved or worsened? Explain. Use complete sentences.

**SECTION 5 - THE INCOME STATEMENT**

Locate the company’s income statement. What is the period covered?\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

What is the page on which the income statement appears? \_\_\_\_\_\_\_\_

1. What are the accounts that catch your attention compared to the previous year's income statement?

2. What could be the reasons of the increases or decreases from one year to another?

3. Could you please provide your input on how the company might increase its net income?